TO: Board Of Governors
Federal Reserve System

FROM: Helen Jason
Castro Mortgage Associates, Inc.
Neptune Beach, Florida

DATE: March 27, 2008

RE: Docket No. R-1305

After reading the proposed Rule Amending Regulation Z, I am compelled, as a licensed mortgage broker, to respond to what I view as a direction that should clearly be re-examined if the ultimate goal is to protect consumers in today's mortgage environment. While I applaud our leaders for their leadership in adopting new consumer protection goals, the current proposal as written to restrict compensation for mortgage brokers may do much more harm than good.

If I may take a moment of your time, I would like to reiterate our role as a broker when representing the borrower *(our client)* is to analyze and identify the most appropriate lender and mortgage product that will best benefit our client's particular situation. Once the product is determined, interest rate can be estimated, as we know it at that time period, and a monthly payment is discussed. Our compensation (from the lender or other source) can also be estimated. While this may sound simple, it is not.

The complexity of various mortgage products and steps necessary in determining which product will work best and what the final rate will be is a process that evolves over time by uncovering and obtaining crucial financial information on our client such as:

- Their ultimate financial goal they would like to achieve in the short term and long — This is a step that usually can be obtained in the first interview. However, you will be amazed at how that goal (as well as loan amount) will change in the borrower's mind as the process continues due to their limited knowledge regarding mortgages.
- Gathering of all necessary initial financial documents required to determine the right product and rate — There is no doubt if I were to request your last (2) years' tax returns, most recent *(sometimes (2) are required now*) W-2s, (2-3) months bank statements *(all pages)* for all qualifying income, most recent investment accounts statements, (2) years business licenses if you are self-employed and an estimated value of your home and other real estate owned; you as a leader in our financial world would be prepared to provide them quickly. However in today's environment, organized and easily retrievable financial documents do not seem to be the norm. Just ask your sister or brother-in law to produce them. This process alone can take a period of time and is often revised once the application has been submitted to an underwriter.

Therefore the compensation and fees "estimated" initially may be modified at least once if not more during the process due to a change in the loan amount. This can be brought on by review appraisals by the lender, underwriter's concern over a credit issue listed on one's credit report or a payoff amount different than what the client thought it was as well as other reasons. Interest rates and pricing (yield spread premium) to the broker can also change along the process as a direct result of underwriting. *(Please be sensitive to the fact that the majority of borrowers do* <u>*not*</u> *have the ability to bring money to closing beyond a required down payment for a new purchase or when refinancing and rely on the broker to structure the loan to include all fees. Furthermore, yield spread premiums are often used to offset these unforeseen costs and not just used for compensation.)*

Though I am new to this profession, my previous career was as a Sr. Vice President, Marketing for an advertising agency. We would have been out of business if we had to live with the estimate first presented for our services. Again, as in many industries from plumbers to legal and accounting services, the scope of work or the project changes overtime and requires these industries to modify their compensation up to completion of the project. Perhaps revisiting this proposal should be considered.

Lastly, I would like to address the need for <u>all</u> mortgage or loan originators to disclose equally. Here exists a huge gap in the competitive environment of providing affordable loans to the consumer. How can we say we are providing a competitive pricing environment if direct lenders are often not required to disclose what one is paying for their services? What we have seen often is direct lenders who bury their fees, such as buying down a rate at the customer's expense, but only quoting them a very low interest rate. When we discussed this with our clients, they seem amazed to find out that the lender they selected was not offering a better product or interest rate, but used <u>their</u> money to buy down the interest rate to artificially make it appear as "a better deal".

Furthermore, the consumer's perception of the gentleman or lady in the bank who they may call their "loan officer" is no different than the broker providing the same counseling and service. If trust exists in the consumer's mind for both — why would we not require disclosures be made by both to protect our consumers.

I am proud of my new profession as a mortgage broker, applaud Florida for requiring licensing and disheartened over any fraud practiced by a few. I personally had used a mortgage broker since 1993 for the personal service and competitive advantage. To force brokers to compete in an unequal environment, which I feel will occur with the present proposal, will remove the competition from the mortgage industry and leave consumers to deal with direct lenders only. I further implore you to listen carefully to our representatives from NAMB who are committed to finding the right solution.

Please consider alternatives, to the current proposed regulation, which would protect ALL consumers in their dealings with ALL mortgage originators and encourage competition on price and service. That is the formula which will allow us to truly protect consumers.

Thank you for your time and consideration.